THE CONCENTRATION OF WEALTH IN THE UNITED STATES

TRENDS IN THE DISTRIBUTION OF WEALTH AMONG AMERICAN FAMILIES

By the Democratic Staff
Of The Joint Economic Committee

Based On
Data, Analysis and Additional Assistance
Provided By James D. Smith

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INTRODUCTION

Over the past year, the Joint Economic Committee has either commissioned or conducted more than half a dozen studies on the changing economic status of American families. For the most part, these studies have focused on only one factor in determining economic well-being -- income. But a second factor, wealth, is also critical to understanding the economic condition of American families. Although wealth is more difficult to measure than income, far less effort has been made by government to collect data on wealth. It is, therefore, a subject on which we have very limited information.

In 1983, a study on consumer finances was funded by the Federal Reserve Board, the Department of Health and Human Services, and other government agencies which promises to shed considerable new light on the wealth held by American families. The study was conducted by the Survey Research Center of the University of Michigan. The number of households interviewed and the amount of information gathered were so extensive that some of the data are still being tabulated. It also is notable because it closely replicates a 1963 survey, providing an opportunity to examine historical trends in wealth-holding.

The 1963 and 1983 surveys are unique because they are the only surveys undertaken with a specific aim of facilitating the measurement of the degree of the concentration of wealth, by assuring the inclusion of an adequate sample of those households in the upper net-worth levels.

Robert Avery, a principal author of the analyses of the 1983 survey published by the Federal Reserve, says that random surveys of net worth always underrepresent the upper levels, primarily because of the difficulty in obtaining the cooperation of a sufficient number of upper level survey subjects. For that reason, the recent survey on "Household Wealth and Asset Ownership: 1984," published by the Bureau of the Census, may not be judged adequate in its measurement of wealth-holdings at the upper extreme. Interviewing for the Survey of Income and Program Participation (SIPP) was far more extensive and produced the most comprehensive study of middle-class wealth-holdings yet attempted. SIPP makes its own valuable contribution to the study of wealth, and its findings supplement those of the two surveys we shall compare. Its authors concede, however, that "the SIPP did not make a special effort to measure the top of the distribution. When the distribution is so concentrated, the normal SIPP area frame sample, which does not oversample high-income households, has limited coverage of top wealth-holders."1/ The 1963 and 1983 surveys, on the other hand, used an augmentation sample of large wealth-holders obtained from the Internal Revenue Service (IRS) to extend the survey coverage into the highest brackets.

1/ U.S. Bureau of the Census, Current Population Reports, Series P-70, No. 7, "Household Wealth and Asset Ownership: 1984," (U.S. Government Printing Office, Washington, D.C., 1986), p. 53.

To date, the Federal Reserve has published three articles concerning the 1983 data: "Survey of Consumer Finances, 1983," Federal Reserve Bulletin, September 1984; "Survey of Consumer Finances, 1983: A Second Report," Federal Reserve Bulletin, December 1984; and "Financial Characteristics of High Income Families," Federal Reserve Bulletin, March 1986. The survey data provide information concerning a number of issues of interest to this Committee which are not addressed in the articles. For that reason, the Joint Economic Committee contracted with Dr. James Smith2/ of the University of Michigan Survey Research Center, one of the leading experts in the study of wealth, to assist in performing additional analyses of the new data.

This study, which is expected to be the first of several to be released, looks at distributional questions. It focuses on the families who hold most of the Nation's wealth -- the top 10 percent of the families -- categorized as the SUPER RICH (the top 0.5 percent), the VERY RICH (the lower half of the top 1 percent), and the RICH (those between the 90th and 99th percentile); as compared with the remaining 90 percent of American families, categorized as EVERYONE ELSE.

2/ Dr. Smith is the Program Director, Economic Behavior Program, Survey Research Center, the University of Michigan.

I. UNDERSTANDING WEALTH

"The potentiality of growing rich beyond the dreams of avarice."

Samuel Johnson

Wealth can be defined as stored-up purchasing power. It can be measured by the value of what could be purchased if all of a family's debts were paid off and the remaining assets turned into cash. The amount of wealth that a family has in any given year is determined by the value which changing markets place upon the various assets which the family holds.

Wealth and income both contribute to a family's economic well-being and are sometimes confused with one another. But they are, in fact, quite different. Some high-income families fail to amass any significant wealth while some very wealthy families may have some years in which they claim little or no net income.

We sometimes try to substitute information about income as an indication of wealth simply because we know so much more about income. The Commerce Department reports on national income and personal and disposable personal income, the Census Bureau on median family income, the Agriculture Department on farm income, and the Bureau of Labor Statistics (BLS), with its various professional, household, and establishment surveys, can define income right down to monthly changes in average hourly earnings.

But only that part of income that is saved adds to personal wealth. Furthermore, income is only one potential source of the aggregate wealth held by Americans. There are no regular reports on wealth-holding in this country; unlike income, our understanding of wealth -- its nature and distribution -- is much more limited.

Much of what has been learned about wealth since 1922 has been derived from studies by researchers of estate tax records filed with the IRS. A statistical technique called the estate multiplier method was used to extend the wealth estimates to the living population.3/

3/ The estate multiplier method relies upon Federal estate tax returns. By multiplying the number and property of decedents in each age-sex group by the inverse of the mortality rate for that age, scholars can determine an estimate of the number of living persons and the value of their wealth. For a technical discussion of the technique, see James D. Smith, "The Concentration of Personal Wealth in America, 1969," The Review of Income and Wealth, Series 20, No. 2 (June 1974), pp. 148-180. In the United States, Horst Mendershausen pioneered using the estate multiplier method to study the concentration of wealth. His essay, "The Pattern of Estate Tax Wealth," in Raymond W. Goldsmith's A Study of Saving in the United States, III (Princeton: Princeton University Press, 1956), pp. 277-381, outlined the methodology later used by Robert J. Lampman in his major work, The Share of Top Wealth-Holders in National Wealth, 1922-1956 (Princeton: Princeton University Press, 1962). In 1966, Dorothy S. Projector and Gertrude S. Weiss published Survey of Financial Characteristics of Consumers (Board of Governors of the Federal Reserve System, 1966), which was based upon the Federal Reserve Board's survey conducted in 1963. Employing the estate multiplier method, James D. Smith has also published essays examining wealth in America for selected years. These include: "The Concentration of Personal Wealth, 1922-1969," American Economic Review, Vol. LXIV (May 1974), pp. 162-167; "The Concentration of Personal Wealth in America, 1969;" and "Trends in the Concentration of Personal Wealth in the United States, 1958 to 1976," The Review of Income and Wealth, Series 30, No. 4 (December 1984). Before the publication of the articles on the 1983 survey, the article with the most recent data on the concentration of wealth was Marvin Schwartz, "Trends in Personal Wealth, 1976-1981," SOI Bulletin, Vol. 3 (Summer 1983), pp. 1-26.

Only twice has the Federal Government attempted comparable and comprehensive surveys of wealth which could provide a much greater, and firsthand, base of information about the concentration of wealth. The first Survey of Financial Characteristics of Consumers was conducted under the supervision of the Federal Reserve Board in 1963. In 1983, a second survey was sponsored by the "Fed", the Department of Health and Human Services, the Comptroller of the Currency, and other government agencies. Both were conducted for the Fed by the Survey Research Center of the University of Michigan.

This staff study analyzes the new 1983 survey data, and shows the types of assets held by American families, the distribution of wealth, and how that distribution has changed over time. For the first time, the 1963 and 1983 data are presented on a comparable basis to show the percentage of wealth held by the super rich, the very rich, the rich, and all other American families.

The forms of wealth held by most Americans are rather limited. They include homes, automobiles, furnishings, appliances, and a little money in checking and savings accounts. Only a small minority of families owns corporate stock or commercial real estate, and even fewer families will ever own a corporate or municipal bond or a Treasury bill.

In the aggregate, American families owned about $12 trillion in gross assets in the spring of 1983 when the Survey of Consumer Finances was conducted. Their net worth totaled nearly $10.6

trillion in holdings ranging from real estate through IRA's to business assets. In general, the wealthier the family, the greater the holdings in stocks, bonds, businesses, and commercial real estate.

What is the source of wealth? The American work ethic is only part of the answer. Hard work and saving out of income appear to account for about a third of today's wealth.4/ Part comes from inheritance and the inevitable working of the axiom that money makes money. A considerable part of the change in wealth between 1963 and 1983 resulted from market revaluations of accumulated wealth. The most widely publicized revaluations are those of the stock market, but real estate appreciation also brought revaluations of the most commonly held asset of significant size for most families, the house in which they live. For most families, the value of their house is higher the longer they have lived in it.

4/ Richard and Nancy Ruggles, "Integrated Economic Accounts for the United States, 1947-1980," Survey of Current Business, Vol. 62 (May 1982), p. 50.

But the nature of the asset that is the family home illustrates the difference between wealth and great wealth. Except for money that may be raised by second mortgages on that part of a home that has been paid off, family residences, of necessity, are not an available asset for most families. They cannot be turned into liquid cash without rendering the family homeless. By contrast, in richer families, the proportion of wealth tied up in illiquid assets like homes is likely to be much lower; a much larger share is disposable wealth, which can be put to work to make more wealth.

This paper analyzes 1983 data as it relates to the distribution of wealth among American families and trends concerning that distribution. There are several reasons why the distribution of wealth is considered important beyond the desire which most of us have to increase our portion of the economic pie. It is believed by some scholars that excessive concentration of wealth has significant economic and political implications for any society in which it occurs.

Among those who have been concerned about the concentration of wealth were several of our founding fathers. According to John Adams, "the balance of power in a society accompanies the balance of property and land....If the multitude," he wrote, "is possessed of the balance of real estate, the multitude will have the balance of power and, in that case, the multitude will take care of the liberty, virtue, and interest of the multitude in all acts of government."5/

Thomas Jefferson, writing from France to James Madison, noted that "property of this country (France) is absolutely concentrated in very few hands" with grave consequences for French society. He concluded that "legislators cannot invent too many devices for subdividing property" to ensure the democratic and productive capacities of a nation.6/

5/ Charles Francis Adams, ed., The Works of John Adams, Vol. IX (Freeport, New York: Books for Libraries Press, 1969), pp. 376-377.

6/ Letter to James Madison, October 28, 1785, in The Papers of Thomas Jefferson, ed., Julian P. Boyd, Vol. VIII (Princeton: Princeton University Press, 1953), pp. 681-683.

The concentration of wealth in a few hands also is believed by some to affect the functioning of free markets. Individuals with greater wealth have a capacity to have greater impact on the demand and supply of goods, services, and instruments of wealth-holding. That impact can be used to further increase their wealth, which inevitably leads to fundamental alterations in the nature of the market.

Finally, some economists have suggested that excessive wealth concentration can have decidedly negative macroeconomic implications. John Kenneth Galbraith has argued that one cause of the Great Depression was a concentration of wealth that became so great that the general public could no longer afford to buy the abundant products generated by the economy of 1929.7/

Whether one shares all or none of these concerns, knowledge concerning the distribution of national wealth can provide considerable insight into the nature of our society.

7/ John Kenneth Galbraith, The Great Crash (Boston: Houghton Mifflin, 1972), pp. 182-183.

II. THE MEASUREMENT OF WEALTH

Defining wealth is much easier than measuring it. There are essentially two sources of information to estimate the distribution of wealth among individuals or families: field surveys and administrative records. Each has its advantages and disadvantages.

Field surveys collect demographic and other information about persons not usually available in administrative records. The information may include, for instance, motivations, past experiences, and intentions of individuals who hold varying degrees of wealth. On the other hand, individuals are often difficult to interview in field surveys. This is particularly true of the wealthy, who often live in secured buildings or housing areas. Furthermore, even when wealthy individuals are contacted, they must go to considerable effort to determine their wealth at a particular moment. Although they will sometimes refer interviewers to their lawyers or accountants, they frequently refuse to grant an interview because it is too much work or for reasons of privacy. Some do not want an interviewer to know how much wealth they have and they do not want society in general to know because they fear such knowledge would point up what may be great disparities in wealth-holding. Some are simply sensitive about their positions of wealth. Because of the reluctance of the most wealthy to be interviewed, both the 1963

and 1983 surveys increased the representation of the wealthy by augmenting the field survey results with a sampling of high-income families drawn from tax files.8/ Finally, field surveys are expensive to conduct. Even a small national survey costs well over $1 million.

Administrative records are generally inexpensive to access, but often provide limited demographic data and seldom provide coverage of the entire population. The most frequently used administrative records for estimating the distribution of wealth are Federal estate tax returns. The financial information provided by these returns is of high quality because it is subject to audit by the IRS and because administrators of estates are required to provide verifiable estimates of the market value of assets. Estate tax returns, unfortunately, are available only for estates required to file a return. Until 1976, all estates with gross assets of $60,000 or more were required to file a return. Since 1981, however, the filing threshold has been increased so that next year only estates with assets in excess of $600,000 will be required to file a tax return. Statisticians have developed ways of estimating the wealth of the living from information about decedents which are essentially the same as the technique used to weight field samples in the total population.9/

8/ Robert B. Avery and Gregory E. Elliehausen, "Financial Characteristics of High-Income Families," Federal Reserve Bulletin, Vol. 72 (March 1986), pp. 163, 176.

9/ See footnote 3.

Using statistical techniques, some of the shortcomings of both methods can be overcome. For instance, non-respondents can have their asset values imputed to them in field surveys, and statistical functions which extrapolate information for the upper part of the distribution can be used with estate tax data to estimate the wealth levels of non-filers. We will use information from both sources to examine the distribution of wealth and its historical trends in this paper.

III. THE SURVEY OF CONSUMER FINANCES FOR 1983

According to Avery and Elliehausen of the Federal Reserve, the 1983 Survey of Consumer Finances "coliected a comprehensive inventory of the assets and liabilities of a basic sample of 3,824 randomly selected U.S. households. To increase the representation of the wealth in the survey, a base sample was augmented with 438 high-income families drawn from tax files. The data on these 438 families, most of which are in the top 1 percent of families ranked by income, offer a unique opportunity to examine the financial behavior of the wealthiest U.S. families."10/

While scholars who have had an opportunity to review the 1983 data deem it to be of excellent quality, there are inevitable methodological problems with research of this nature and magnitude. It first should be noted that, while households account for the vast majority of the Nation's wealth, they do not account for all of it. Governments hold significant wealth in land, buildings, highways, weapons, and so forth, and it is virtually impossible to establish any meaningful market value for most government-owned assets.

10/ Avery and Elliehausen, "Financial Characteristics of High-Income Families," p. 163.

Nongovernmental entities also hold wealth that is not attributable to families. These include pension funds, which had a total estimated net worth of $1.3 trillion in 1983, and nonprofit institutions, such as foundations, schools, and hospitals, which had an estimated net worth in 1982 of a little over $200 billion.11/ Altogether, households account for almost nine-tenths of all wealth not held by Federal, state, or local governments.

Some information on pension funds was collected in the 1983 survey, but is to be published separately, and has not been imputed to individual households by the Federal Reserve. For a variety of reasons, data on pension funds should be segregated from other household sources of wealth. Individuals ordinarily do not know how much they will benefit from pension funds because they do not know how long they will live. They frequently do not have any actual economic control over the investment or use of such funds as they do over other actually "held" economic resources. Management over pension funds in fact is frequently a fiduciary responsibility of corporations which are, in turn, reflective of the households that have controlling interests in them.

11/ See Balance Sheet for U.S. Economy, 1948-1983 (Board of Governors of the Federal Reserve System, 1984), p. 24; Margaret Riley, "Private Foundations, 1982," SOI Bulletin, Vol. 5 (Fall 1985), pp. 1-28; and Laura M. Huechan, "Nonprofit Charitable Organizations, 1982," SOI Bulletin, Vo. 5 (Winter 1986), pp. 21-40.

While it could be argued that inclusion of pension funds would show a broader distribution of wealth, a number of factors indicate the effect would be minimal.

First, since pension funds constitute only 10 percent of the Nation's privately held wealth, even a flat distribution of the funds across the population would not result in major changes in overall wealth distribution. But pension benefits are not evenly distributed. Information from the May 1983 Current Population Survey indicates that more than half of all workers have no pension plan at all. According to the survey, those most likely to have pension plans are managers, professionals, and technical workers. Those least likely are service workers, sales employees, and nonfarm laborers.

Furthermore, the benefits are, in most instances, directly dependent on the level of lifetime earnings which has probably been much higher among individuals who hold significant wealth. According to the 1985 Handbook of Pension Statistics,12/ a study of individuals who retired in 1977 showed that the top one-fifth of the beneficiaries received annual payments more than six times as large as the bottom one-fifth.

12/ Handbook of Pension Statistics--1985, edited by Richard A. Ippolito and Walter W. Kolodrubetz (Chicago: Commerce Clearing House, Inc.), 1986.

In short, if pension fund assets were distributed to households, it appears that a significant portion of those benefits would go to the top end of the economic spectrum, further minimizing the potential impact that their inclusion would have on the survey results.

Another problem in deciphering the 1983 data stems from the fact that the Federal Reserve has not attempted to obtain information that fully covers family ownership of consumer durables. Because of perceived uncertainties in personal estimations, neither the 1963 survey nor the 1983 survey sought to obtain data on the value of holdings of household durables such as steroes and furniture. Because of the difficulty in separating items of consumer debt, the amount owed for durables like stoves, sofas, and automobiles is included in the measurement of total household debt. The Bureau of the Census in its 1984 survey followed a similar practice in excluding durables like home furnishings and jewelry. (It also excluded equities in pension plans.)

In both 1963 and 1983, the Federal Reserve attempted to collect information on ownership of automobiles. The 1963 data have been deemed of questionable validity and the 1983 data were not tabulated in time to be published with the rest of the survey data. For purposes of comparison, automobiles are excluded from this study. The Federal Reserve Board's Division of Research and Statistics has recently completed a preliminary tabulation of the 1983 automobile data which indicates that its inclusion in 1983 would reduce the share of wealth held by the top half of 1

percent by slightly more than one percentage point. It could be assumed that inclusion of automobile data in 1963 would have had a similar effect.

Finally, a problem exists with the calculation of the cash surrender value of prepaid life insurance policies. This appears to be one form of wealth which less wealthy families may be more likely to own than more wealthy families. Following the 1963 survey, researchers at the Federal Reserve reached a consensus that the data collected were fundamentally flawed and they were excluded from the survey results. Following the 1983 survey, there was still concern that all respondents had not clearly understood or accurately responded to the survey with regard to the cash surrender value of prepaid life insurance, but it was determined that the data were of sufficient quality for inclusion in the survey results. For purposes of comparability, the data could be either included in both instances or excluded in both instances. We have elected to include the 1963 data so as to prevent any unnecessary alteration of the 1983 numbers.

Despite these few conceptual and technical difficulties, the two surveys represent by far the best information available on trends in the concentration of wealth-holding in America during the last quarter century. While allowances for the inadequacies of certain aspects of the surveys need to be made, such allowances would almost certainly not be of sufficient magnitude to offset the significant trends that are indicated in the survey results.

IV. WEALTH AMONG AMERICAN FAMILIES IN 1983

The Survey of Consumer Finances for 1983 indicates that American families held gross assets of slightly more than $12 trillion in 1983. They owed debts of $1.5 trillion and had a total net worth of slightly less than $10.6 trillion.

Personal residences accounted for almost 30 percent of gross wealth held by American families. Business holdings in non-incorporated businesses (proprietorships, partnerships, etc.) accounted for another 27 percent. Nonresidential real estate accounted for 15 percent, stocks and bonds 11 percent, checking and savings accounts, certificates of deposit, money market funds, and call accounts 8 percent, and trusts 4 percent. Another 6 percent was accounted for by IRA's, land contracts, cash surrender value of insurance, and other miscellaneous items. Of the $1.5 trillion in debts owed by American families, more than three-fourths was related either to residential or commercial real estate holdings (Table 1, Chart I).

TABLE 1

ASSETS AND LIABILITIES OF U.S. HOUSEHOLDS, 1983
(Amounts in Billions of Dollars)

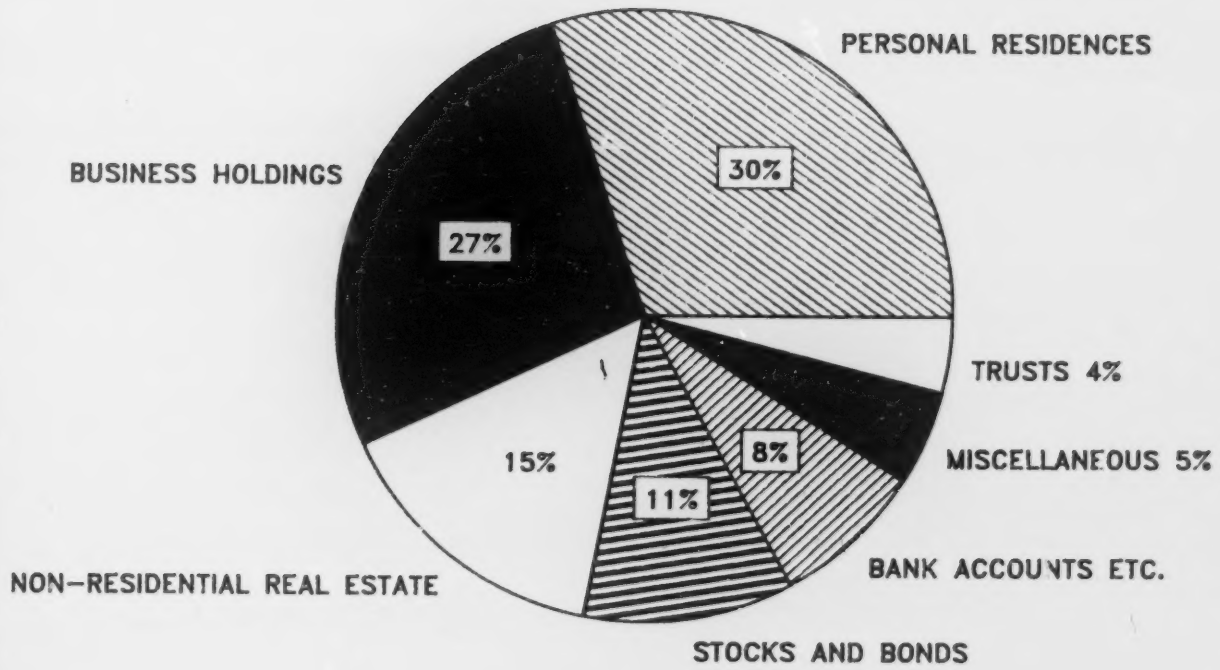
Asset/Debt	Value	Percent Of Total
Real Estate - Total	$ 5,362.3	44.4%
Home (gross)	(3,585.5)	(29.7)
Other (gross)	(1,776.8)	(14.7)
Corporate Stock	981.7	8.1
Bonds - Total	329.6	(2.7)
Savings Bonds	(28.9)	(0.2)
Other Federal Bonds	(93.8)	(0.8)
State and Local Bonds	(163.7)	(1.4)
Corporate Bonds	(43.2)	(0.4)
Checking Accounts	115.8	1.0
Savings Accounts	189.2	1.6
Certificates of Deposit	385.7	3.2
Money Market and Call Accounts	265.8	2.2
IRA's and Keogh	142.6	1.2
Trusts	491.6	4.1
Business Assets (Net)	3,272.0	27.1
Management Interest	(2,903.1)	(24.1)
No Management Interest	(368.9)	(3.1)
Insurance Cash Surrender Value	260.8	2.2
Land Contracts	111.2	0.9
Miscellaneous	157.9	1.3
GROSS ASSETS - Total	$12,066.2	100.0%
DEBT - Total	1,479.0	12.3
Consumer Debt	(327.1)	(2.7)
Real Estate Debt	(1,151.9)	(9.5)
NET WORTH	$10,587.2	87.7%

See "Notes to Tables" in the Appendix.

Source: Survey of Consumer Finances

CHART I

WEALTH IN AMERICA
1983



PREPARED BY THE JOINT ECONOMIC COMMITTEE

The distribution of these assets among the population was remarkably uneven in 1983. The population was divided into four basic groups for the purpose of analyzing distribution. The top 0.5 percent of households are categorized as the "super rich," the next 0.5 percent of households are categorized as the "very rich," the next 9 percent -- or those households that rank between the 90th and 99th percentile in wealth-holding -- are categorized as the "rich," and, finally, the bottom 90 percent are simply referred to as "everybody else."

The most striking result from the survey data is the extraordinary amount of national wealth held by the top half of 1 percent of families (Table 2). These super rich households accounted for more than 35 percent of net wealth and 32 percent of gross wealth. If the equity in personal residences from net wealth is excluded, the top half of 1 percent of households owned more than 45 percent of the privately held wealth of this country.

These households appeared to have a very strong grip on the Nation's businesses. They owned 58 percent of unincorporated businesses and 46.5 percent of all personally owned corporate stock (Chart II). They also held 77 percent of the value of trusts and 62 percent of state and local bonds.

TABLE 2

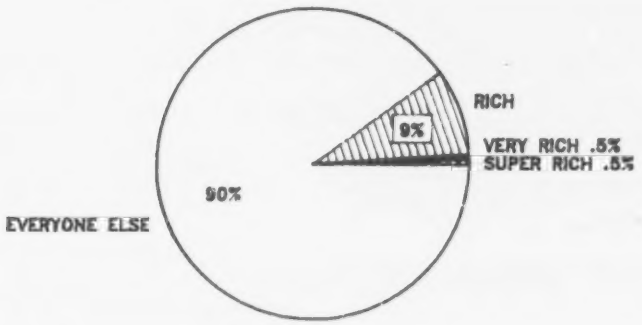
WEALTH OF AMERICAN FAMILIES, 1983

	SUPER RICH UPPER 1/2%		VERY RICH 2ND 1/2%		RICH 90 TO 99TH %		EVERYONE ELSE 0 TO 90TH %		ALL HOUSEHOLDS 100%	
	AMOUNT ($ B)	% OF ALL HH	AMOUNT ($ B)	% OF ALL HH	AMOUNT ($ B)	% OF ALL HH	AMOUNT ($ B)	% OF ALL HH	AMOUNT ($ B)	% OF ALL HH
REAL ESTATE	821.8	15.3%	226.6	4.2%	1584.2	29.5%	2729.7	50.9%	5362.3	100%
HOME(GROSS)	189.1	5.3%	111.7	3.1%	950.3	26.5%	2334.4	65.1%	3585.5	100%
OTHER(GROSS)	632.7	35.6%	114.9	6.5%	633.9	35.7%	395.3	22.2%	1776.8	100%
CORPORATE STOCK	456.6	46.5%	132.2	13.5%	287.7	29.3%	105.2	10.7%	981.7	100%
BONDS	143.6	43.6%	24.6	7.5%	129.5	39.3%	31.9	9.7%	329.6	100%
SAVINGS BONDS	4.0	13.8%	0.7	2.4%	7.1	24.6%	17.1	59.2%	28.9	100%
OTHER FEDERAL BONDS	32.2	34.3%	4.4	4.7%	50.9	54.3%	6.3	6.7%	93.8	100%
STATE AND LOCAL BONDS	101.6	62.1%	13.2	8.1%	45.0	27.5%	3.9	2.4%	163.7	100%
CORPORATE BONDS	5.8	13.4%	6.3	14.6%	26.5	61.3%	4.6	10.6%	43.2	100%
CHECKING ACCOUNTS	12.0	10.4%	8.3	7.2%	32.0	27.6%	63.5	54.8%	115.8	100%
SAVINGS ACCOUNTS	4.0	2.1%	0.7	0.4%	7.1	3.8%	177.4	93.8%	189.2	100%
CERTIFICATES OF DEPOSIT	20.6	5.3%	23.1	6.0%	150.2	38.9%	191.8	49.7%	385.7	100%
MONEY MARKET AND CALL ACCOUNTS	46.5	17.5%	19.3	7.3%	97.7	36.8%	102.3	38.5%	265.8	100%
IRA'S AND KEOGH	21.1	14.8%	10.5	7.4%	64.3	45.1%	46.7	32.7%	142.6	100%
TRUSTS	378.4	77.0%	24.5	5.0%	64.9	13.2%	23.8	4.8%	491.6	100%
BUSINESS ASSETS (NET)	1904.9	58.2%	263.2	8.0%	897.6	27.4%	206.3	6.3%	3272.0	100%
MANAGEMENT INTEREST	1753.2	60.4%	224.3	7.7%	746.8	25.7%	178.8	6.2%	2903.1	100%
NON-MANAGEMENT INTEREST	151.7	41.1%	38.9	10.5%	150.8	40.9%	27.5	7.5%	368.9	100%
INSURANCE CASH SURRENDER VALUE	16.9	6.5%	9.1	3.5%	54.2	20.8%	180.6	69.2%	260.8	100%
LAND CONTRACTS	15.6	14.0%	2.8	2.5%	38.2	34.4%	54.6	49.1%	111.2	100%
MISCELLANEOUS	25.9	16.4%	17.8	11.3%	40.5	25.6%	73.7	46.7%	157.9	100%
GROSS ASSETS	3867.9	32.1%	762.7	6.3%	3448.1	28.6%	3987.5	33.0%	12066.2	100%
DEBT	153.8	10.4%	48.4	3.3%	278.9	18.9%	997.9	67.5%	1479.0	100%
CONSUMER DEBT	31.2	9.5%	17.4	5.3%	60.1	18.4%	218.4	66.8%	327.1	100%
REAL ESTATE DEBT	122.6	10.6%	31.0	2.7%	218.8	19.0%	779.5	67.7%	1151.9	100%
NET WORTH	3714.1	35.1%	714.3	6.7%	3169.2	29.9%	2989.6	28.2%	10587.2	100%
GROSS ASSETS MINUS HOME VALUE	3678.8	43.4%	651.0	7.7%	2497.8	29.5%	1653.1	19.5%	8480.7	100%

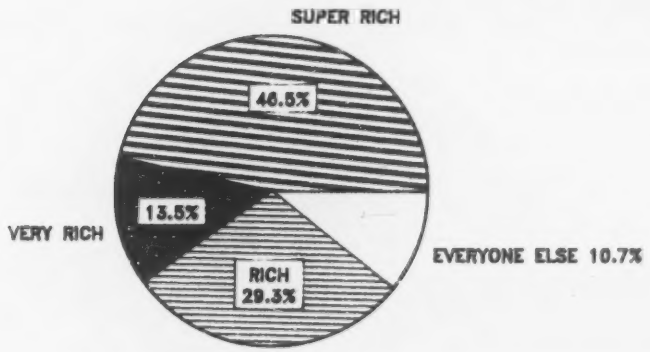
CHART II

BUSINESS ASSETS AND CORPORATE STOCK

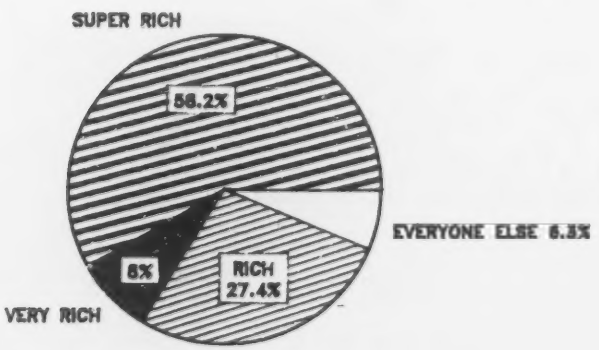
HOLDINGS OF EACH GROUP



POPULATION



CORPORATE STOCK– 1983



UNINCORPORATED BUSINESS ASSETS– 1983

PREPARED BY THE JOINT ECONOMIC COMMITTEE

In 1983, there were 420,000 super rich households. The least any of these households held in net assets was more than $2.5 million (Table 3, Chart III). The most wealthy were worth hundreds of times that amount. On average, this group held net assets of $8.9 million.

The next richest 420,000 households, or the second half of the top 1 percent of wealth-holders, were decidedly less well off than the top half of the top 1 percent. These very rich families held net assets ranging from $1.4 million to $2.5 million. They owned 7 percent of the Nation's net wealth, or about one-fifth as much as the 420,000 super rich families. Their business holdings included slightly more than 8 percent of the unincorporated business assets of the Nation and nearly 14 percent of the personally held corporate stock. When their business holdings are combined with those of super rich families, 66 percent of unincorporated businesses and 60 percent of personally held corporate stock are in the hands of the top 1 percent of all households.

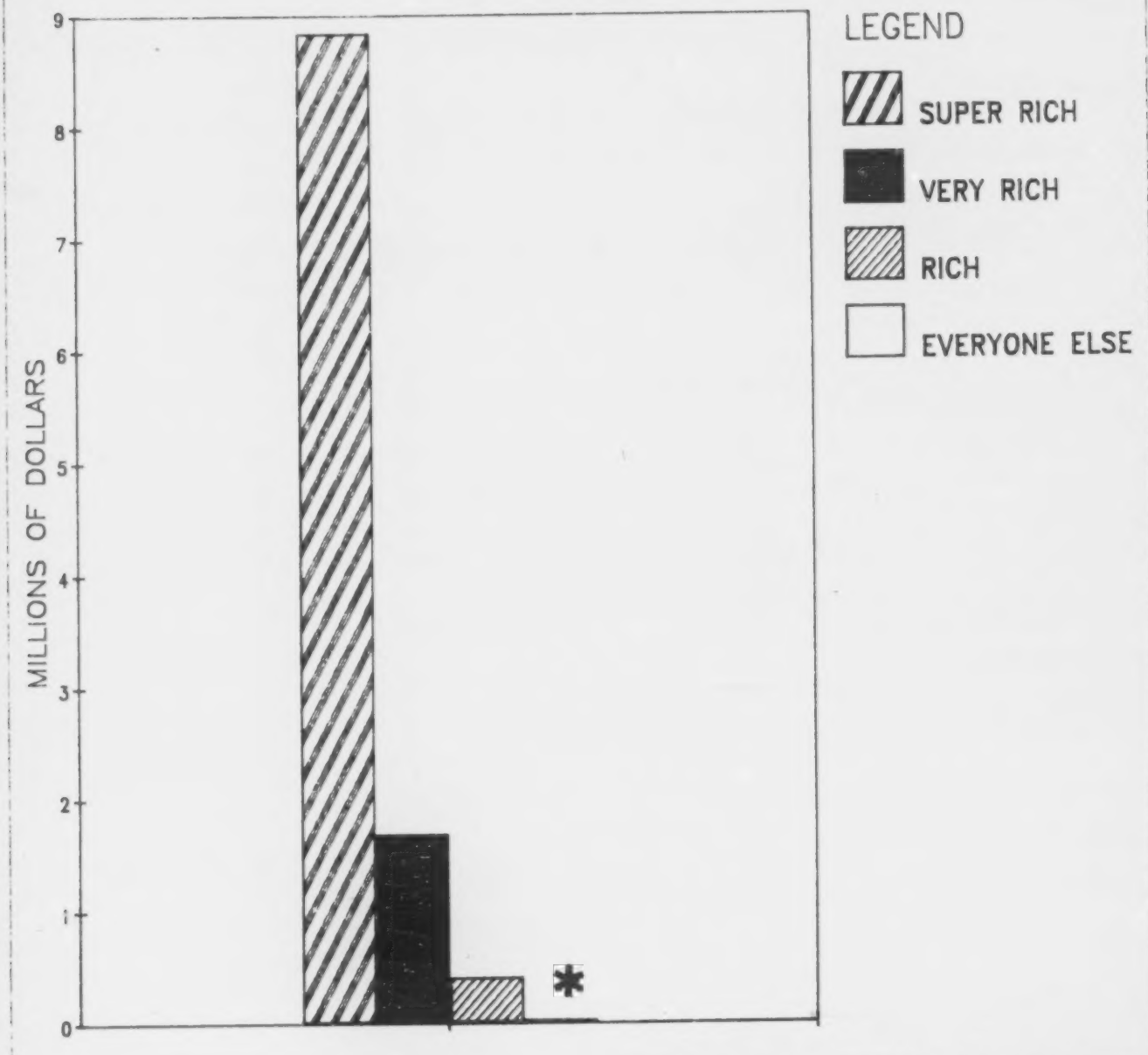
TABLE 3

AVERAGE NET WEALTH PER HOUSEHOLD, 1983

Wealth Category	Number of Households	Range of Net Wealth Per Household	Average Wealth Per Household
Super Rich	419,590	$2,509,750 and above	$8,851,736
Very Rich	419,590	$1,422,600-$2,509,749	$1,702,376
Rich	7,552,620	$ 206,341-$1,422,599	$ 419,616
Everyone Else	75,526,200	$ 206,340 and below	$ 39,584

CHART III

AVERAGE WEALTH PER HOUSEHOLD
1983



PREPARED BY THE JOINT ECONOMIC COMMITTEE

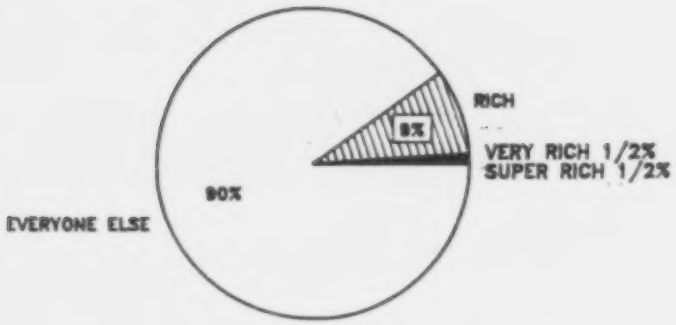
* It is extremely difficult to graph accurately the true proportions of the wealth-holding of the four groupings of households because of the magnitude of the disparities. If the average wealth of households in the lower 90 percent were represented by a bar graph one inch high, the bar graph required to represent proportionately the average holdings of families in the top half of 1 percent would be nearly 19 feet tall and would require 21 sheets of regular-sized typing paper to plot.

Our so-called rich families, those between the 90th and 99th percentile of wealth-holding, had net assets that ranged from $206,000 to $1.4 million. This group is made up of a little more than 7.5 million households. These households held another 30 percent of the total wealth owned by American families, which included 27 percent of unincorporated business interests and 29 percent of personally held corporate stock. Families in this group were, on average, about one-twentieth as well off as the super rich, less than a quarter as well off as the very rich, but more than 10 times as well off as everybody else. When the assets of the rich were combined with those of the very rich and super rich, 71.8 percent of the net wealth of American families was owned by this top 10 percent of families. This included almost 94 percent of unincorporated business assets and nearly 90 percent of all personally held stock.

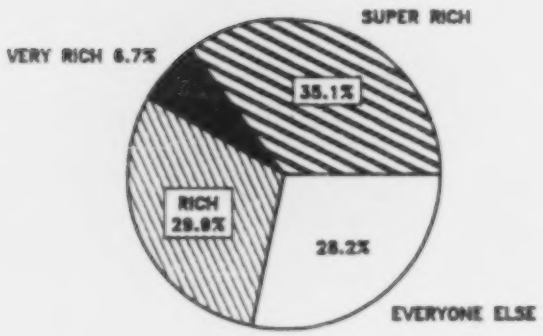
The remaining 90 percent of American families owned only about 28 percent of the Nation's wealth held by families, and most of that was tied up in the equity of family homes. If home equities were subtracted from net assets, the bottom 90 percent of American families would hold only 16.7 percent of the remaining family-owned wealth of this country (Chart IV).

CHART IV

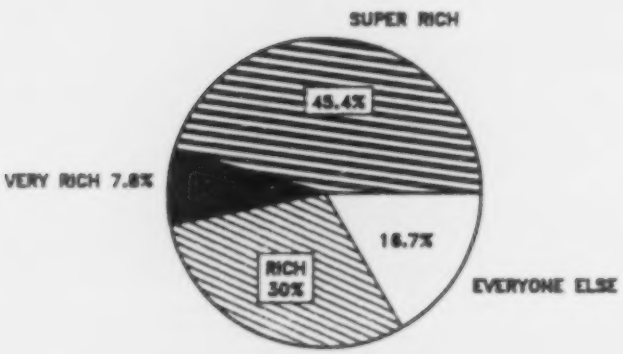
THE DISTRIBUTION OF WEALTH
1983



POPULATION



NET WEALTH



NET WEALTH MINUS HOME EQUITY

PREPARED BY THE JOINT ECONOMIC COMMITTEE

V. CHANGING PATTERNS IN WEALTH-HOLDING

In order to place the numbers presented in the previous chapter in an historical context, it is necessary to look at studies of wealth based on both the estate multiplier method and the survey method. Both methods are discussed in some detail in Chapter II.

Estate multiplier studies were conducted for 1922, 1929, 1933, 1939, 1945, 1949, 1953, 1954, 1956, 1958, 1962, 1965, 1969, 1972, 1976, and 1981. As stated previously, the two major surveys were conducted in 1963 and 1983. While the methods of estimating wealth used in estate multiplier studies are very different from those used in surveys, there is evidence that these two approaches to measuring wealth arrive at reasonably comparable results.13/

13/ The estate multiplier studies are discussed in footnote 3. The 1981 survey reported in "Trends in Personal Wealth, 1976-1981," used a grouping of eight-tenths of a percent for its category of top holders of wealth; it was not comparable. The studies prior to 1958 reported the concentration in terms of net wealth; the concentration reported in the studies of 1958-1976 is in terms of gross wealth, and, thus, may result in a slight understatement of the degree of concentration.

Estate multiplier studies show that the portion of wealth held by the top half of 1 percent of all individuals (estate multiplier studies are necessarily based on individuals' holdings rather than those of families) peaked in 1929 at 32.4 percent. From 1929 through 1962, the year before the first Federal Reserve survey, there was a significant downward trend in the portion of wealth held by the top one-half of 1 percent of individuals. In 1962, their portion of individually owned wealth was estimated at 22.2 percent.

The 1963 Federal Reserve survey showed the portion of wealth held by the top half of 1 percent of households to be 25.4 percent, quite close to the estate multiplier estimate for individuals from the year before. The 1963 survey not only provides an opportunity to examine the comparability of estate multiplier estimates with those of surveys, but it provides an opportunity for broad comparisons of how wealth-holding has changed between 1963 and 1983. As Federal Reserve Board researchers have stated in discussing the 1983 survey, "the design of the 1962 {1963} Survey of Consumer Finances, however, was almost identical and thus offers an interesting point of comparison."

Total net wealth of households in the United States grew in real 1983 dollars between 1963 and 1983 from $3.9 trillion to almost $10.6 trillion or by 172 percent (Table 4). The number of households, however, increased during that period by 53 percent. Real wealth per household, therefore, increased by only 79 percent.

TABLE 4

GROWTH IN FAMILY WEALTH BETWEEN 1963 AND 1983
(1983 DOLLARS)

	SUPER RICH UPPER 1/2%		VERY RICH 2ND 1/2%		RICH 90 TO 99TH %		EVERYONE ELSE 0 TO 90TH %		ALL HOUSEHOLDS 100%	
	1963	1983	1963	1983	1963	1983	1963	1983	1963	1983
REAL ESTATE	120.5	821.8	53.5	226.6	485.0	1584.2	1231.2	2729.7	1890.2	5362.3
HOME(GROSS)	42.0	189.1	26.9	111.7	283.5	950.3	1123.9	2334.4	1476.3	3585.5
OTHER(GROSS)	77.9	632.7	27.2	114.9	201.5	633.9	107.3	395.3	413.9	1776.8
CORPORATE STOCK	347.0	456.6	99.3	132.2	209.2	287.7	58.3	105.2	713.8	981.7
BONDS	64.1	143.6	7.7	24.6	43.9	129.5	49.0	31.9	164.7	329.6
SAVINGS BONDS	4.5	4.0	1.3	0.7	35.9	7.1	42.0	17.1	83.6	28.9
OTHER FEDERAL BONDS	17.9	32.2	1.3	4.4	1.9	50.9	0.3	6.3	21.5	93.8
STATE AND LOCAL BONDS	35.2	101.6	2.2	13.2	3.2	45.0	0.0	3.9	40.7	163.7
CORPORATE BONDS	6.4	5.8	2.9	6.3	2.9	26.5	6.7	4.6	18.9	43.2
CHECKING ACCOUNTS	13.8	12.0	4.2	8.3	22.4	32.0	36.2	63.5	76.6	115.8
SAVINGS ACCOUNTS	23.4	4.0	10.3	0.7	127.5	7.1	176.5	177.4	337.7	189.2
CERTIFICATES OF DEPOSIT		20.6		23.1		150.2		191.8		385.7
MONEY MARKET AND CALL ACCOUNTS		46.5		19.3		97.7		102.3		265.8
IRA'S AND KEOGH		21.1		10.5		64.3		46.7		142.6
TRUSTS	153.8	378.4	3.8	24.5	10.6	64.9	5.8	23.8	174.0	491.6
BUSINESS ASSETS (NET)	260.5	1904.9	79.8	263.2	354.3	897.6	214.0	206.3	908.6	3272.0
MANAGEMENT INTEREST		1753.2		224.3		746.8		178.8		2903.1
NON-MANAGEMENT INTEREST		151.7		38.9		150.8		27.5		368.9
INSURANCE CASH SURRENDER VALUE	13.1	16.9	5.1	9.1	43.2	54.2	94.8	180.6	156.3	260.8
LAND CONTRACTS	12.8	15.6	22.7	2.8	30.1	38.2	17.3	54.6	83.0	111.2
MISCELLANEOUS	11.2	25.9	8.3	17.8	23.4	40.5	17.0	73.7	59.9	157.9
GROSS ASSETS	1020.1	3867.9	294.7	762.7	1349.7	3448.1	1900.1	3987.5	4564.6	12066.2
DEBT	37.5	153.8	10.6	48.4	101.9	278.9	550.1	997.9	700.0	1479.0
CONSUMER DEBT		31.2		17.4		60.1		218.4		327.1
REAL ESTATE DEBT		122.6		31.0		218.8		779.5		1151.9
NET WORTH	982.6	3714.1	284.2	714.3	1247.8	3169.2	1350.0	2989.6	3864.6	10587.2
NET WORTH AS % OF TOTAL NET WORTH	25.4%	35.1%	7.4%	6.7%	32.3%	29.9%	34.9%	28.2%	100.0%	100.0%
GROSS ASSETS MINUS HOME VALUE	978.1	3678.8	267.8	651.0	1066.2	2497.8	776.3	1653.1	3088.4	8480.7
GROSS ASSETS MINUS HOME VALUE AS A % OF TOTAL GROSS ASSETS	31.7%	43.4%	8.7%	7.7%	34.5%	29.5%	25.1%	19.5%	100.0%	100.0%

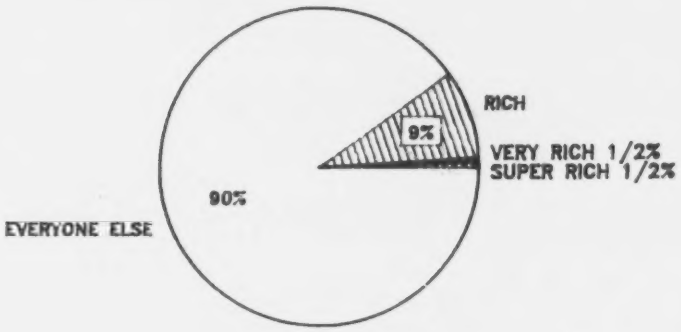
The nature of assets held by American families changed significantly in some instances. Personal residences accounted for 32 percent of family-held wealth in 1963 but dropped to 30 percent by 1983. Non-incorporated business holdings, on the other hand, increased as a percentage of family wealth-holding from 20 percent to 27 percent during the period. Nonresidential real estate also increased as a percentage of family wealth-holdings from 9 percent to almost 15 percent. Stocks and bonds, on the other hand, dropped from 19 percent to 11 percent.

The distribution of wealth among American families changed remarkably during the 20 years. The wealthiest one-half of 1 percent increased their share of wealth-holding from 25.4 percent to 35.1 percent, or by 38 percent. This increased share came at the expense of each of the other three groups mentioned in Chapter IV (Chart V). The very rich (the second half of the top percent) saw their share drop from 7.35 percent to 6.75 percent, or by 8 percent. The rich (those betweeen the 90th and 99th percentile) dropped from a little over 32 percent to just under 30 percent, or by 7 percent. Everybody else (the bottom 90 percent) dropped from an almost 35 percent share of the Nation's wealth in 1963 to just over 28 percent in 1983. That constituted almost a 20 percent drop in the share of national wealth held by the lower 90 percent of American families.

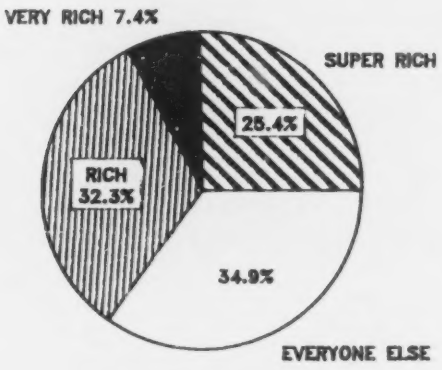
CHART V

CONCENTRATION OF PERSONAL WEALTH

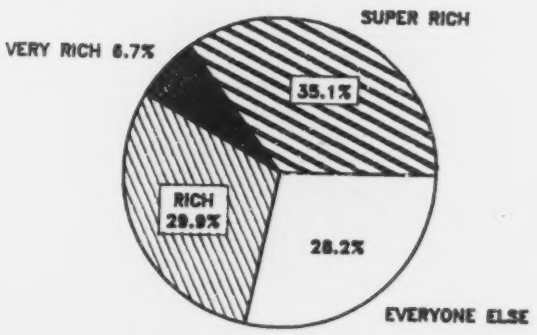
THE SHARE OF WEALTH OWNED BY EACH GROUP



POPULATION



1963– SHARE OF WEALTH



1983– SHARE OF WEALTH

PREPARED BY THE JOINT ECONOMIC COMMITTEE

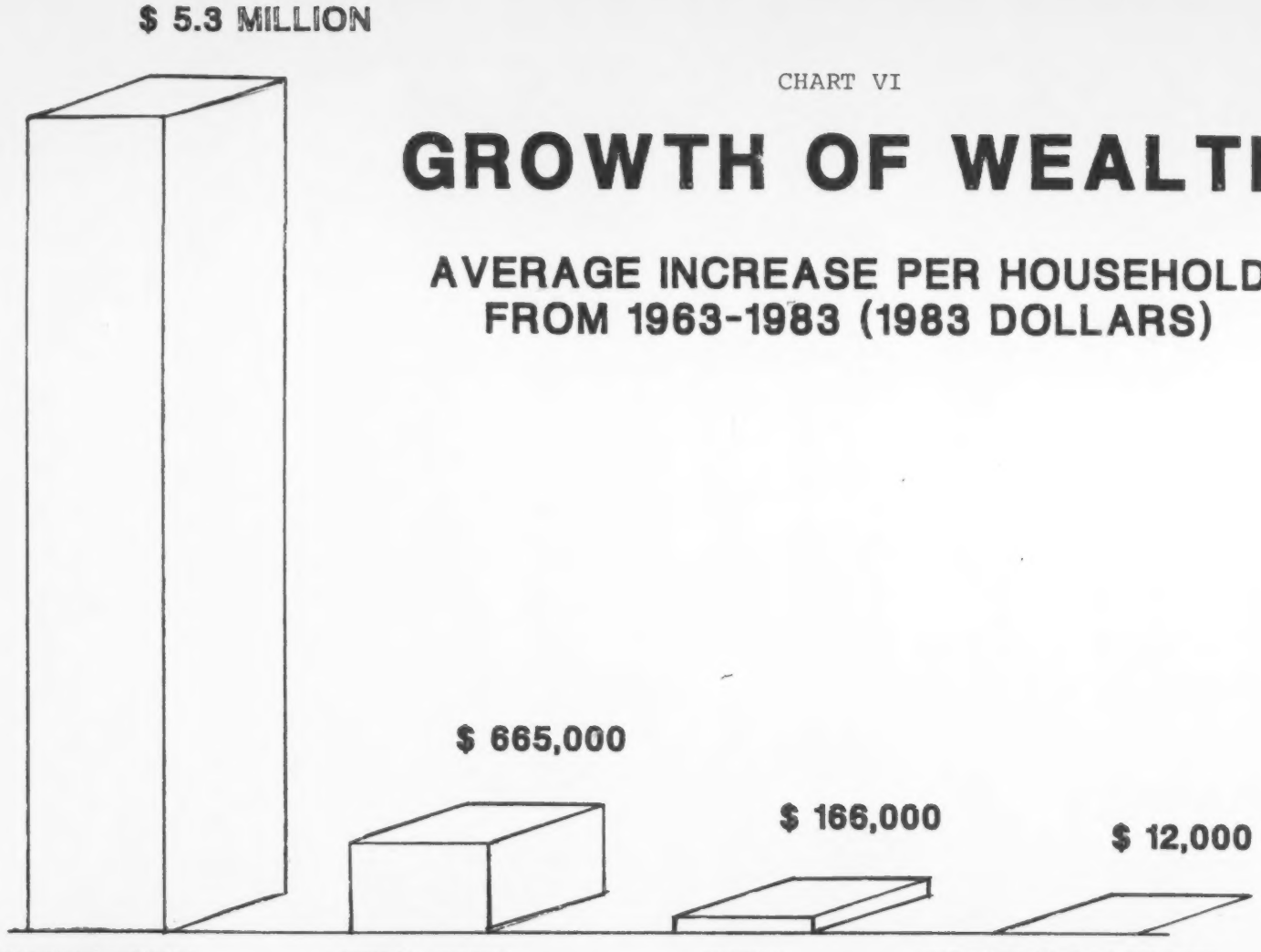
As mentioned above, the average growth in real wealth per household during the 20-year period was 79 percent. That amounted to about $55,600 per household. But nine-tenths of American households saw nothing like that much in increased wealth. The average wealth-holding for the bottom 90 percent increased from $27,400 to $39,600. That increase was less than a quarter of the national average increase per household. The richest one-half of 1 percent increased their average wealth-holding from $3.59 million to $8.85 million, or by $5 million per household (Chart VI). That was almost 100 times the average increase for all families and about 400 times the increase of families in the lower 90 percent of the wealth distribution.

In addition, the rate of growth in total net assets for each group was much faster for the richest 420,000 families. During the 20 years, the average per household growth in net assets for the top half of 1 percent was 147 percent (Table 5). The very rich and the rich saw their assets grow less than half as fast. The bottom 90 percent experienced per-household growth in net wealth of 45 percent, or less than one-third the rate of growth enjoyed by the super rich families. While it is clear that the old adage that money makes money still holds, it is also clear that the money of the super rich makes a lot more money than that of the just plain rich and far more than the money of ordinary citizens.

CHART VI

GROWTH OF WEALTH

AVERAGE INCREASE PER HOUSEHOLD FROM 1963-1983 (1983 DOLLARS)



PREPARED BY THE JOINT ECONOMIC COMMITTEE

TABLE 5

AVERAGE NET WEALTH PER HOUSEHOLD, 1963-1983
(1983 Dollars)

Wealth Category	1963 Average Wealth Per Household	1983 Average Wealth Per Household	Dollar Change Per Household	Percentage Change
Super Rich	$3,588,489	$8,851,736	$5,263,247	147%
Very Rich	$1,037,543	$1,702,376	$ 664,833	64%
Rich	$ 253,187	$ 419,616	$ 166,429	66%
Everyone Else	$ 27,390	$ 39,584	$ 12,193	45%

VI. DID THE CONCENTRATION OF WEALTH OCCUR GRADUALLY BETWEEN 1963 AND 1983?

There is no survey data to tell us whether the dramatic upturn in the concentration of wealth which took place between 1963 and 1983 occurred gradually over the 20 years or was part of a sharp upturn that occurred in response to a particular event or set of conditions which existed during some shorter period within the 20-year time frame. The only available evidence concerning trends in wealth concentration during the intervening period comes from estate multiplier studies. These provided data on only the top half of 1 percent and the top 1 percent of individual wealth-holders (Table 6).

Following the 1963 study, which, as mentioned earlier, estimated that the top wealth-holding individuals held 22.2 percent in reasonable approximation of the 1963 survey results, the next estate multiplier study was for 1965. It showed an increase in the share of wealth held by the top half of 1 percent of individuals to 25.4 percent. A 1969 study showed the super rich share of wealth had again declined to 21.8 percent. In 1972, the share held steady at 21.9 percent.

TABLE 6

THE SHARES OF PERSONAL WEALTH OWNED BY THE RICHEST ONE-HALF PERCENT AND RICHEST ONE PERCENT OF THE U.S. POPULATION, 1958-1976
(amounts in billions of dollars)

Asset	1958					1962				
	Value Held by Richest			Share Held by Richest[a]		Value Held by Richest			Share Held By Richest[a]	
	100.0%[h]	0.5%	1.0%	0.5%	1.0%	100.0%[h]	0.5%	1.0%	0.5%	1.0%
Real Estate[b]	$ 620.9	$ 62.5	$ 93.9	10.1	15.1	$ 755.7	$ 79.6	$117.8	10.5	15.6
Corporate Stock[c]	289.4	175.9	199.2	60.8	68.8	423.6	227.3	264.4	53.7	62.4
Bonds	83.6	31.3	36.0	37.4	43.1	95.2	33.2	38.4	34.9	40.3
Cash[d]	220.8	22.5	32.8	10.2	14.9	284.7	28.9	42.5	10.2	14.9
Debt Instruments	46.7	12.5	16.3	26.8	34.9	59.2	16.5	21.8	27.9	36.8
Life Insurance (CSV)[f]	70.1	7.5	11.3	10.7	16.1	84.0	7.1	10.7	8.5	12.7
Miscellaneous and Trusts[g]	341.8	45.6	52.8	13.3	15.4	387.6	NA	NA	-	-
Trusts	31.2	25.8	27.9	82.7	89.4	46.4	NA	NA	-	-
Miscellaneous	310.6	19.8	24.9	6.4	8.0	341.2	39.8	52.7	11.7	15.4
Total Assets	$1642.1	$332.0	$414.4	20.2	25.2	$2043.6	$432.4	$548.3	21.2	26.8
Liabilities[e]	$ 227.6	$ 29.2	$ 38.3	12.8	16.8	$ 314.4	$ 47.8	$ 61.0	15.2	19.4
Net Worth	$1414.5	$302.8	$376.1	21.4	26.6	$1729.2	$384.6	$487.3	22.2	28.2
Number of Persons (millions)		.87	1.74				.93	1.87		

See Notes to Tables in Appendix.

Table 6 (continued)

THE SHARES OF PERSONAL WEALTH OWNED BY THE RICHEST ONE-HALF PERCENT AND RICHEST ONE PERCENT OF THE U.S. POPULATION, 1958-1976
(amounts in billions of dollars)

Asset	1965					1969				
	Value Held by Richest			Share Held by Richest[a]		Value Held by Richest			Share Held By Richest[a]	
	100.0%[h]	0.5%	1.0%	0.5%	1.0%	100.0%[h]	0.5%	1.0%	0.5%	1.0%
Real Estate[b]	$ 886.3	$ 94.4	$135.8	10.7	15.3	$1172.5	$117.0	$170.7	10.0	14.6
Corporate Stock[c]	541.4	317.2	364.9	58.6	67.4	731.3	366.3	423.3	50.1	57.9
Bonds	100.2	57.5	63.2	57.4	63.1	141.2	63.7	71.5	45.1	50.6
Cash[d]	376.2	43.7	62.7	11.6	16.7	505.6	48.1	71.2	9.5	14.1
Debt Instruments	68.6	19.8	25.4	28.9	37.0	88.9	21.9	29.6	24.6	33.3
Life Insurance (CSV)[f]	97.8	6.5	10.9	6.6	11.1	119.7	8.4	13.8	7.0	11.5
Miscellaneous and Trusts[g]	447.8	85.3	101.8	19.0	22.7	606.0	107.0	133.2	17.7	22.0
Trusts	59.9	49.0	52.7	81.8	88.0	73.6	60.0	64.5	81.5	87.0
Miscellaneous	387.9	36.3	49.1	9.4	12.7	532.4	47.0	68.7	8.8	12.9
Total Assets	$2458.4	$575.4	$712.7	23.4	29.0	3291.6	$672.4	$848.8	20.4	25.8
Liabilities[e]	$ 416.6	$ 57.0	$ 73.1	13.7	17.5	$ 559.9	$ 75.8	$100.5	13.5	17.9
Net Worth	$2041.8	$518.4	$639.6	25.4	31.3	$2731.7	$596.7	$748.1	21.8	27.4
Number of Persons (millions)		.97	1.94				1.01	2.03		

See Notes to Tables in Appendix.

Table 6 (continued)

THE SHARES OF PERSONAL WEALTH OWNED BY THE RICHEST ONE-HALF PERCENT AND RICHEST ONE PERCENT OF THE U.S. POPULATION, 1958-1976
(amounts in billions of dollars)

Asset	1972					1976				
	Value Held by Richest			Share Held by Richest[a]		Value Held by Richest			Share Held By Richest[a]	
	100.0%[h]	0.5%	1.0%	0.5%	1.0%	100.0%[h]	0.5%	1.0%	0.5%	1.0%
Real Estate[b]	$1501.9	$150.9	$225.0	10.0	15.0	$2435.1	$209.0	$305.7	8.6	12.6
Corporate Stock[c]	784.1	429.3	491.7	54.8	62.7	647.5	248.2	297.8	38.3	46.0
Bonds	159.1	82.5	94.8	51.9	59.6	249.7	64.1	74.4	25.7	29.8
Cash[d]	683.4	63.6	101.2	9.3	14.8	1023.5	68.5	111.8	6.7	10.9
Debt Instruments	90.6	30.3	40.8	33.4	45.0	121.5	33.1	44.8	27.2	36.9
Life Insurance (CSV)[f]	141.8	6.2	10.0	4.4	7.1	178.9	7.8	12.7	4.4	7.1
Miscellaneous and Trusts[g]	752.7	139.8	172.7	18.6	22.9	1084.3	161.7	200.6	14.9	18.5
Trusts	93.1	80.3	89.4	86.3	96.0	97.2	NA	NA	--	--
Miscellaneous	659.6	59.5	83.3	9.0	12.6	987.1	NA	NA	--	--
Total Assets	$4020.5	$822.4	$1046.9	20.5	26.0	$5643.3	$776.9	$1032.1	13.8	18.3
Liabilities[e]	$ 719.5	$100.7	$131.0	14.0	18.2	$1047.2	$117.0	$148.4	11.2	14.2
Net Worth	$3301.0	$721.7	$915.9	21.9	27.7	$4596.1	$659.6	$883.2	14.4	19.2
Number of Persons (millions)		1.04	2.09				1.08	2.15		

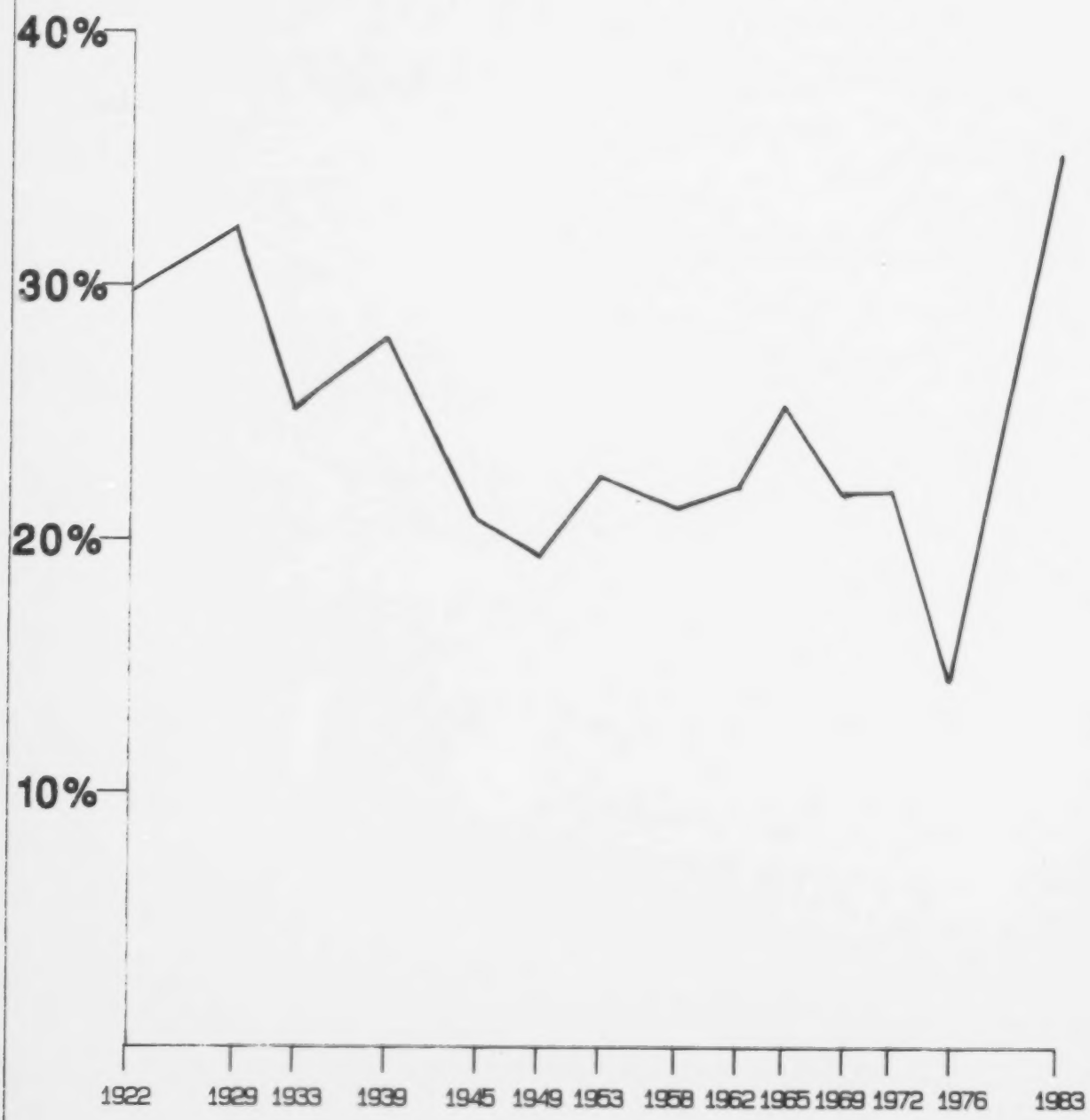
See Notes to Tables in Appendix.

The last full-fledged estate multiplier study was conducted in 1976 because the IRS issued a ruling shortly after the study was completed prohibiting private researchers from gaining access to estate tax records. The 1976 study showed a dramatic drop in the share of wealth-holding by the top half of 1 percent of individuals to 14.4 percent. While this decline might, in part, be accounted for by a slumping stock market, the IRS ruling not only precluded further estate multiplier studies by private scholars, but also prevented further research to verify the 1976 study.

In short, the estate multiplier studies indicate that the long-term trend in declining concentration of wealth, which began with the 1929 stock-market crash, continued through the early to mid-1970's (Chart VII). These data suggest that the dramatic increase in the share of national wealth held by the richest Americans, which is documented by the two Federal Reserve surveys, did not begin until late in the 20-year period between the two surveys.

CHART VII

SHARE OF NET ASSETS OWNED BY THE TOP ONE-HALF OF ONE PERCENT OF THE U.S. POPULATION 1922-1983



APPENDIX -- NOTES TO TABLES

NOTES TO TABLES 1 THROUGH 5

Real Estate: Included are all forms of real estate which are not held in the name of a business. However, the real estate held in an individual's name and used for business purposes, such as an apartment or commercial building, is included.

Home: This is the value of a family's principal residence.

Other Real Estate: The value of residences other than the primary residence, investment property, and business property not held in the name of a business.

Corporate Stock: Includes all traded and untraded stocks which are held by individuals. Stocks held by businesses are included in the value of business interests.

Bonds: Included here are all types of publicly issued bonds.

Savings Bonds: These are bonds issued by the Federal Government which are sold at a discount and redeemed at a stated price which embodies a fixed rate of interest. There is no secondary market in these instruments.

Other Federal Bonds: Includes Treasury bills, notes, and bonds.

State and Local Bonds: Included here are bonds issued by municipalities, school districts, states, counties, water authorities, and debt instruments issued by similar entities. Such bonds are exempt from Federal income tax and frequently from the taxes of political subdivision within which the issuing agency exists.

Corporate, Foreign, and Other Bonds: Included are debt instruments issued by domestic corporations, foreign governments, and other foreign issuers, as well as bonds the survey editors were unable to classify in one of the other bond categories.

Checking Accounts: Included here are unrestricted checking accounts, including regular checking accounts, NOW and SUPER NOW, cash management, MMMF, sweep, and miscellaneous checking accounts.

Savings Accounts: Includes all savings accounts at commercial and savings banks, savings and loan associations, credit unions, and similar financial institutions.

Certificates of Deposit: Included are short-term and long-term certificates. In this category are All-Saver certificates as well. The values reported are the nominal values not the actual redrawable values were the certificate to be cashed out on the date of interview.

Trusts: Included are monies in trusts or managed investment accounts. The value reported is the value perceived to be appropriate by the respondent. Trusts can be very complex and one's interest in a trust may be reversionary interest, a contingency claim to corpus, or a stream of income for a fixed or variable period. It is very difficult at this stage of the analysis to ascribe any level of precision to the reported value. Not included are pension or company thrift accounts.

Business Assets: All interests in unincorporated businesses, farms, and professional practices are included in this category. Business assets are divided into those in which a family member had a management role and those in which no family member had a management function.

Insurance Cash Surrender Value: The asset is the cash surrender value the owner of a life insurance policy is entitled to were he to survive the policy.

Land Contracts: These are contractual instruments made between the seller and buyer of real estate. Such contracts provide for the transfer of title upon satisfaction of the payment of the principal of the contract. Although land contracts have existed for a long time, they became popular in the last decade as mortgage interest rates moved upwards of 12 percent.

Miscellaneous Assets: Boats, aircraft, works of art, classic automobiles, campers, trailers, motorcycles, precious metals, loans owed to family members, and gas leases are all included here. Ordinary automobiles are included elsewhere.

Money Market and Call Accounts: Included are money market accounts in commercial banks, credit unions, and savings and loan institutions as well as similar accounts held with mutual funds and brokerages.

NOTES TO TABLE 6

Estate Multiplier Estimates:

a) Wealth is measured in terms of gross assets. Net worth is preferred to gross assets as a classifier, but the microdata

for 1958 which would have permitted such an arrangement were destroyed by the IRS. The microdata for 1962, 1965 and 1969, and 1972 and 1976 were therefore ordered by gross assets to produce estimates consistent with those for 1958.

b) Real estate is shown at its market value without deduction of mortgages, liens, or other encumbrances. In 1953 and 1958, only real estate located in the United States was included. In 1962, the value of real estate located outside the United States was brought into the estimate by a change in the law which made foreign real estate subject to estate taxes. The amount of such real estate is, however, seriously underrepresented because the law took effect late in 1962. Only estates for decedents who died after October 16, 1962, and who had acquired foreign real estate (except by gift or inheritance) after February 1962 were required to report it on estate tax returns. In 1965 and 1969, foreign real estate was included along with other real estate.

Included in real estate are land and structures for personal and business use. All other business assets are included in the "miscellaneous" category. Real etate held in trust is included here to the extent of the trust interest. A relatively small proportion of trust assets are in real estate, but the absolute value of all trust assets is adjusted here for reasons explained elsewhere (see note g).

c) Corporate stock includes all common and preferred issues, and the value of shares in domestic or foreign firms whether traded or closely held. Also included are the value of certificates and shares of building and loan and savings and loan associations, Federal Land Bank stock, and the value of other instruments representing an equity interest in an enterprise. Accrued dividends are also included. Stock held in trust is also included, but the absolute value is understated.

d) Cash includes balances in checking and savings accounts, currency on hand or in safety deposit boxes, cash balances with stock brokers, and postal savings accounts. Cash in trust is also included (see note g).

e) Liabilities include all legal obligations except loans on life insurance policies.

f) Life insurance (cash surrender value) is the amount individuals could expect to receive were they to surrender their policies to the carriers. It takes account of policy loans, accrued dividends, and unearned premiums. Life insurance proceeds reported on estate tax returns are adjusted to reflect the cash surrender value at the date of death because that would be the asset value to living persons whom decedents represent. The adjustment is based on data supplied to us by the Institute of Life Insurance. The adjustment is: $\ln(CSV/Proceed) = -5.4458 + .0669(Age)$.

g) "Miscellaneous" includes items such as consumer durables, personal effects, business assets (excluding real estate), mineral rights, tax sale certificates, judgments, lifetime transfers, and growing crops if not included in the value of real estate.

Trusts represent the actuarial value of reversionary and remainder interests in trusts. This actuarial value is substantially less than the total market value of assets held in trusts.

The separate value of trusts could be estimated directly only for 1965. For other years, indirect estimates were made.

h) Assets and liabilities of the total population shown in this table are derived from Richard and Nancy D. Ruggles' "Integrated Economic Accounts for the United States 1947-1980," Working Paper No. 841, from the Institution for Social and Policy Studies at Yale University, 1981, and Survey of Current Business, May 1982. Some rearrangement and some adjustments in the numbers reported by the Ruggles are necessary to align the aggregates with the concepts and classification of wealth used by the IRS in organizing and releasing information from Federal estate tax returns. Household assets are from Ruggles' Table 2.40. Noncorporate, nonfarm assets are from Ruggles' Table 2.22, and farm assets are from Ruggles' Table 2.23. Since Table 2.23 includes corporate and noncorporate farms, asset components are adjusted by the proportion of farm equity held by households, Table 2.40, to net worth of "corporate and noncorporate" farms, Table 2.23. Farm liabilities are also adjusted by this proportion. All balance sheet items have been adjusted to midyear estimates by averaging pairs end-of-year values.

Trust assets shown for the entire population are 54.3 percent of household estates and trust reported by the Ruggles. This adjustment is made to provide a direct comparison with trust interest reported in estate tax returns, because, for estate tax purposes, one's interest in a trust is the actuarial value of that interest as reflected in a set of tables provided by the IRS for calculating contingency values.

The nature of the IRS tables is that, if one took all the beneficiaries of a trust, the sum of their actuarial value would be less than the value of the trust. Analyses using the 1965 estate tax file, the only microdata file in existence which has trust assets separate from other assets, indicate that the actuarial value of trust assets included in the estate tax return will average 54.3 percent of the value of trusts were the value of a beneficiary's proportionate share of the total trust reported.